GOVERNMENT OF ANDHRA PRAESH
ABSTRACT

Guarantees – Guarantees issued by Government – Revised Scheme of Guarantee Redemption fund – Orders – Issued

Finance (Cash Management) Department

G.O.MS.No. 46 Dated: 17-04-2018

Read the following:

1. G.O. Ms. No. 6 Finance (W&M) department Dt. 03.01.2002
2. G.O. Ms. No. 71 Finance (DCM-I) department Dt. 24.03.2014
3. G.O. Ms. No. 129 Finance (Cash Management) department Dt. 01.07.2016
4. CO.IDMD. No. 1441/10.03.12/2017-18 Dt. 07.12.2017 received from Reserve Bank of India.

ORDER:

In the ref 4th read above, The Chief General manager, reserve bank of India has requested to issue a revised Notification for investment of Guarantee redemption Fund to initiate the investment process properly.

2. Government after careful consideration of the mater decided to accept the request of the Reserve bank of India and here by ordered the revised scheme Guarantee Redemption Fund in supersession of orders issued in the ref. 1st to 3rd read above.

Revised Scheme for Constitution and Administration of the Guarantees Redemption Fund of Government of Andhra Pradesh

Title of the Scheme	**1**	The Scheme shall be called 'Guarantees Redemption Fund Scheme' (hereinafter referred to as 'the Fund')
Constitution of the Fund	**2**	A 'Guarantees Redemption Fund" shall be constituted by the Fund Government of Andhra Pradesh (hereinafter called the Government) for meeting its obligations arising out of the Guarantees issued on behalf of State level bodies. The Fund shall be constituted in the Public Account and classified under the head " 8121 — General and Other Reserve Funds — Guarantees Redemption" in the accounts of the Government
Objective of the scheme	**3**	The Fund shall be utilised for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Level Undertakings or other bodies and invoked by the 'beneficiaries'. **Explanation** **(a)** The accumulations in the Fund shall be utilised only towards the payment of the guarantees issued by the Government and invoked by the beneficiary and not paid by the institution on whose behalf guarantee was issued. Provided that the net incremental annual investment of States (i.e. outstanding balance over and above the level in

		the corresponding period of the previous year) shall be eligible for availing Special Drawing Facility (SDF) from the Reserve Bank of India (hereinafter referred to as the Bank).
Commencement of the Operation of the scheme	**4**	It shall come into force with effect from the financial year 2017-18.
Contributions to the Fund	**5**	(a) The Fund shall be set up by the Government with an initial Contribution of minimum one per cent of outstanding guarantees at the end of the previous year and thereafter minimum 0.5 per cent every year to achieve a minimum level of 3 per cent in next five years. The Fund shall be gradually increased to a desirable level of 5 per cent. If guarantees have been invoked or are likely to be invoked, additional Funds (over and above 5%) shall be maintained. (b) It is open to the Government to increase the contributions to the Fund (beyond 0.5 per cent annual) at its discretion and also based on its assessment of likely invocation of guarantees. The balance in the Fund shall be increased with contributions made annually or at lesser intervals. (c) c) In order to enable transfer of the total amount of contribution to the Fund, the Government would make suitable Budget provision on the expenditure side of their budget under the head " 2070 – Other Administrative Services MH – 797 – Transfer to Reserve Funds – Deposit Account SH (10) Guarantee Redemption Fund 320 – Contributions Transfer to Reserve Fund and Deposit Accounts — Guarantees Redemption Fund". (d) The Government shall not fund its contribution to the Fund out of borrowings from the Bank.
Relationship of the Fund with General Revenues / Public Account	**6**	(a) The corpus of the Fund comprises an initial amount demarcated by the Government, annual or other contributions made by the Government thereto as also periodic accretions by way of Guarantee Commission collected from the institutions in respect of whose bonds / obligations, the Government had issued the guarantee, in addition to the income accruing to the Fund. (b) The Fund shall be kept outside the General Revenues of the Government and shall be utilised only in the manner prescribed in this Scheme.
Administration the Fund of the Fund	**7**	The Fund shall be administered by Central Accounts Section of the Bank subject to such directions/instructions as the Government may issue from time to time.
Investment of the corpus of the Fund corpus of the fund	**8**	a) The accretions to the Fund shall be invested in Government of India Dated Securities, Treasury Bills, Special Securities of the GoI and State Development Loans of other States of such maturities as the Bank may determine from time to time in consultation with

		the Government. b) The Bank shall make available the securities for investment by acquiring the securities from the secondary market, without loading any charge other than that indicated in paragraph 11.
Accounting of Tractions	**9**	(a) The responsibility for the administration of the Fund will rest with the Government. The Government will decide all matters connected with the investment of the corpus of the Fund, reinvestment / dis- investment, obligations and application of the Fund, etc. (b) The Government will, from time to time, issue instructions to the Bank. The Bank will immediately arrange to make the necessary investment. The Bank would scroll to the Government the debit on account of the investment and other incidental charges like brokerage, commission etc. in the usual course. However, in order to ensure that the investment transactions of the Fund do not get mixed up with other transactions, these may be indicated distinctly in separate scrolls. (c) On receipt of the scrolls the investment transactions would be accounted for under the head " 8121 — General and Other Reserve Funds — Guarantees Redemption Fund Investment Account". However, the incidental charges like brokerage, commission etc., shall be accounted for as a charge on the Fund. (d) The Bank will arrange to collect interest on these securities and credit the same to the Fund on due date. Further, these would require to be invested as in the case of the contributions by the Government i.e., in accordance with the investment norms prescribed in para 8 above. On maturity of the securities, the proceeds will be collected and credited to the account of the Government or reinvested on the basis of instructions received from the Government. i.e., in accordance with the pattern outlined in para 8 intra. As in the case of the debit scrolls, the Bank shall use separate scrolls, for the receipts. (e) On receipt of instructions from the Government, the Bank will arrange to sell the securities at the ruling price through its Mumbai office and credit the amount realised, less incidental charges, to the account of the Government. (f) The receipts on account of maturity or sale of the securities would be taken to the account of the "Guarantees Redemption Fund Investment Account". The incidental charges on sale would be charged on the Fund. (g) The provision for expenditure on account of the Guarantees Redemption will be made in the budget of the Government under the relevant heads. Only the actual amount of guarantee redemption expenditure shall be brought in account under the head - Relief on account of Guarantees invoked — Guarantees Redemption Fund. (h) The Bank shall arrange to redeem the securities on maturity. In case of premature disinvestment to meet the

		liability on account of the claims to be paid, the Bank shall decide on the securities to be encashed in consultation with the Government and sell the securities at the ruling price and credit the amount realised, less incidental charges to the Fund. (i) The Government will pay the Bank, a commission at the rate determined by the Bank in consultation with the Government. These charges shall also be borne by the Fund as in the case of the charges indicated in paras 9(c) and 9(f). The loss or gain on the sale of securities shall also be taken to the Account of the Fund. **Explanation** (a) The debit to Government on account of such withdrawal will be accounted under the major head .... On the maturity of the loan the balance outstanding under the head .... (Sub-head Guarantees Redemption Fund) is credited to the head .... (Miscellaneous Government Account) Ledger Balance Adjustment Account. (b) The Bank would scroll to the Government the debit on account of investment less the incidental charges in the usual course. However, in order to ensure that the investment transactions of the Fund do not get mixed up with other transactions, these will be indicated distinctly in separate scrolls. (c) The Bank will arrange to collect interest on the investments and credit the same to the Fund on the due dates. (d) On the maturity of the securities, the Bank will arrange to redeem the securities and in case of premature disinvestment, to sell the securities at the ruling price and credit the amount realised, less incidental charges to the Guarantees Redemption Fund Investment Account. As in the case of debit scrolls, the Bank shall use separate scrolls for the receipts. (e) The provision for expenditure on account of the periodic contributions will be made in the Budget of the Government under the relevant head. The extent of expenditure to be financed from the Fund shall be withdrawn from the Fund by the disposal of the investment.
Functions of the Bank managing the Fun	**10**	(a) The Bank will be guided by the directions of the Government in all matters concerning the investment / reinvestment / dis-investment / reallocation / withdrawals time to time of the Fund and will act accordingly. (b) The Bank would arrange to raise a debit to the account of the Government maintained with it as per the schedule of contributions set out in paragraph 5. (c) The contributions to the Fund shall be invested by the Bank as indicated in paragraph 8. The periodic accretion to the Fund by way of guarantee commission, contributions by the Government and interest income shall also be invested by the Bank in a similar manner. (d) The withdrawals may be made from out of the balance accumulated in the Fund up to the date towards the redemption of the guarantees invoked and to be paid by the Government, as per its directions or Government shall

		have the option to withdraw excess fund over 5 per cent of outstanding guarantees of the previous year. (e) The Bank will submit periodical statement of balances / advices regarding the changes therein in consultation with the Government,
Services charges for administration of the Fund	**11**	The Government will pay to Bank a commission at the rate of 1/8 per cent of one percent of the turnover of the Fund or at the rate to be mutually decided from time to time.
Account and Audit	**12**	The accounts of the Fund and the investments shall be maintained by the Accountant General of the State in the normal course. The concerned Department of the Government will maintain subsidiary accounts in such manner and detail as may be considered by the Government in consultation with the Accountant General
Savings	**13**	The Government shall issue instructions relating to the provisions of the Scheme as may be considered from time to time to enable smooth functioning of the Scheme. In case of any difficulty in the operation of any provision of the Scheme, the Government may, if satisfied, relax the provisions.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

MUDDADA RAVICHANDRA
PRINCIPAL SECRETARY TO GOVERNMENT (FAC)

To
The Accountant general (A&E), A.P. , Hyderabad.
The Director of treasuries and Accounts, A.P., Ibrahimpatnam
Copy to: The Reserve bank of India, Internal Debt management Cell, Mumbai
The reserve bank of India, central Accounts Section, Nagpur.
The Reserve bank of India, Saifabad, Hyderabad.
SF/SSs

//FORWARDED::BY ORDER//

SECTION OFFICER